

Livingston Activity Center, Inc.
Walker, Louisiana
Annual Financial Statements

As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)



BRUCE HARRELL & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
A Professional Accounting Corporation

Livingston Activity Center, Inc.
Annual Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

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Independent Auditor's Report

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

We have audited the accompanying financial statements of the Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

BRUCE HARRELL & CO.
CERTIFIED PUBLIC ACCOUNTANTS
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Livingston Activity Center, Inc.

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Livingston Activity Center, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the Organization's 2013 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated December 19, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2015, on our consideration of the Livingston Activity Center, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control or compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Livingston Activity Center, Inc.'s internal control over financial reporting and compliance.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

January 12, 2015

Livingston Activity Center, Inc.
Statement of Financial Position
As of June 30, 2014
(with 2013 comparative totals)

	<u>2014</u>	<u>2013</u>
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 675,987	\$ 635,397
Investments	51,017	50,484
Receivables :		
Accounts	50,476	55,147
Other	17,518	17,635
Prepaid and Other	29,916	27,853
Total Current Assets	<u>824,914</u>	<u>786,516</u>
Property, Plant, and Equipment		
Land	205,525	205,525
Construction in Progress	37,929	37,929
Property, Plant and Equipment, Net	299,394	322,943
Total Property, Plant, and Equipment	<u>542,848</u>	<u>566,397</u>
Noncurrent Restricted Assets		
Cash temporarily restricted for Building	138,333	138,333
Total Assets	<u>\$ 1,506,095</u>	<u>\$ 1,491,246</u>
Liabilities		
Current Liabilities		
Accounts Payable	\$ 1,504	\$ 739
Other Accrued Payables	15,864	16,090
Total Current Liabilities	<u>17,368</u>	<u>16,829</u>
Total Liabilities	<u>17,368</u>	<u>16,829</u>
Net Assets		
Unrestricted	1,349,151	1,336,084
Temporarily Restricted	139,576	138,333
Permanently Restricted	-	-
Total Net Assets	<u>1,488,727</u>	<u>1,474,417</u>
Total Liabilities and Net Assets	<u>\$ 1,506,095</u>	<u>\$ 1,491,246</u>

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Activities
For the year ended June 30, 2014
(with 2013 comparative totals)

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Totals</u>	
				<u>2014</u>	<u>2013</u>
Operating Revenues					
Public Support					
Contributions	\$ 3,374	\$ -	\$ -	\$ 3,374	\$ 1,130
Grants	-	-	-	-	-
Group Home Contracts	-	23,296	-	23,296	23,400
Medicaid	-	442,871	-	442,871	453,836
OCDD Contract	-	5,964	-	5,964	-
Other	385	6,365	-	6,750	7,057
Special Funds - Van Fund	-	1,417	-	1,417	705
United Way	-	-	-	-	2,406
Service and Fee Revenue	4,873	-	-	4,873	5,002
Program Income	-	106,231	-	106,231	89,521
Investment Income	7,396	-	-	7,396	5,666
Total Operating Revenues	<u>16,028</u>	<u>586,144</u>	<u>-</u>	<u>602,172</u>	<u>588,723</u>
Operating Expenses					
Program Services	541,048	-	-	541,048	560,476
Management and General	43,853	-	-	43,853	35,523
Fundraising	2,962	-	-	2,962	2,868
Total Operating Expenses	<u>587,863</u>	<u>-</u>	<u>-</u>	<u>587,863</u>	<u>598,867</u>
Change in Net Assets from Operations	<u>(571,835)</u>	<u>586,144</u>	<u>-</u>	<u>14,309</u>	<u>(10,144)</u>
Nonoperating Gains and Losses	-	-	-	-	-
Net Assets Released from Restrictions	<u>584,901</u>	<u>(584,901)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Net Assets	13,066	1,243	-	14,309	(10,144)
Total Net Assets, Beginning	1,336,085	138,333	-	1,474,418	1,484,561
Total Net Assets, Ending	<u>\$ 1,349,151</u>	<u>\$ 139,576</u>	<u>\$ -</u>	<u>\$ 1,488,727</u>	<u>\$ 1,474,417</u>

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Functional Expenses
For the year ended June 30, 2014
(with 2013 comparative totals)

		2014				
		Program Services	Supporting Services			
		Activity Center	Management			
		Services	and General	Fundraising	Total	2013
Expenses						
Salaries and Wages	\$	237,597	\$ 20,888	\$ 2,611	\$ 261,096	261,463
Client Payroll		55,805	-	-	55,805	55,514
Employee Benefits		69,918	6,080	-	75,998	73,585
Bad Debts		389	-	-	389	-
Cost of Sales - Programs		31,482	-	-	31,482	30,426
Depreciation		22,990	1,467	-	24,457	33,993
Insurance		44,148	2,818	-	46,966	52,816
Miscellaneous		13,702	3,514	351	17,567	12,625
Professional Fees		6,782	1,696	-	8,478	8,050
Rent		-	-	-	-	-
Repairs and Maintenance		1,222	78	-	1,300	802
Supplies		-	6,629	-	6,629	5,491
Telephone		2,751	176	-	2,927	2,818
Utilities		7,948	507	-	8,455	6,133
Vehicle Expenses		46,314	-	-	46,314	55,151
Total Expenses	\$	541,048	\$ 43,853	\$ 2,962	\$ 587,863	\$ 598,867

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Statement of Cash Flows
For the year ended June 30, 2014
(with 2013 comparative totals)

	<u>2014</u>	<u>2013</u>
Cash Flows From Operating Activities		
Change in Net Assets	\$ 14,309	\$ (10,144)
Adjustments to reconcile change in net assets to net cash provided by operating activities		
Depreciation	24,457	33,993
(Gain) Loss on sale of property	-	-
Changes in operating assets and liabilities		
(Increase) decrease in receivables	4,788	(5,249)
(Increase) decrease in other assets	(2,063)	(5,204)
Increase (decrease) in accounts payable	765	(1,255)
Increase (decrease) in accrued payables	(226)	(263)
Net Cash Provided by (Used by) Operating Activities	<u>42,030</u>	<u>11,878</u>
Cash Flows From Investing Activities		
Purchases of property	(906)	(1,010)
Reclassification of cash to investment	(534)	(50,484)
Net Cash Provided by (Used) by Investing Activities	<u>(1,440)</u>	<u>(51,494)</u>
Net Cash Increase (Decrease) in Cash and Cash Equivalents	40,590	(39,616)
Cash and Cash Equivalents, Beginning of Year	<u>773,730</u>	<u>813,346</u>
Cash and Cash Equivalents, End of Year	<u>\$ 814,320</u>	<u>\$ 773,730</u>
Supplemental disclosures fo cash flow information		
Cash paid during the year for interest	\$ -	\$ -

The accompanying notes are an integral part of this statement.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

Introduction

Livingston Activity Center, Inc., (the Organization) is a nonprofit corporation organized for the purpose of providing work programs for adult developmentally disabled citizens age 22 and older. The program operates on a fiscal year basis and is open for 240 days each year. The “Statement of Fact & Information” for operation of Livingston Activity Center, Inc., stresses the following:

- Each participant enrolled in the day program is afforded the opportunity to develop his or her independence based on individual strengths and needs. Individualized programs are developed for each participant by a team consisting of the participant, a parent or advocate, a direct care worker and any other person that the participant requests at the time of the team staffing. Individualized programs are updated on an annual basis. Each participant is assigned a qualified instructor/trainer relative to the area of work involvement.
- Active treatment and training is provided to participants five days a week, six hours daily, unless a holiday. Transportation is provided to and from the center according to the established transportation zones.
- Each participant will receive training to promote social skills, self-help skills, community awareness, self-preservation, job safety and job performance, with individual plans monitored for progress on monthly, quarterly, and annual basis, or as needed. Wages are to be paid to participants based on his or her client productivity rating and the established standards for a specific job area, such as mobile yard crew, janitorial crew, recycling crew, ceramic crew, greenhouse crew, or wood shop crew.

1. Summary of Significant Accounting Policies

A. Restrictions on Net Assets

Revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Organization and changes therein are classified and reported as follows:

Unrestricted net assets – Net assets that are not subject to any donor-imposed stipulations.

Temporarily restricted net assets – Net assets subject to donor-imposed restrictions on their use that may be met either by actions of the Organization or the passage of time.

Permanently restricted net assets – Net assets subject to donor-imposed or other legal restrictions requiring that the principal be maintained permanently by the Organization. Generally, the donors permit the Organization to use all or part of the income earned for either general or donor-specified purposes.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

B. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

C. Basis of Accounting

The financial statements of the Livingston Activity Center, Inc., have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

D. Comparative Information and Reclassifications

The financial statements are presented with certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the Organization's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities in the financial statements. Estimates and assumptions may also affect disclosure of contingent assets and liabilities at the date of the financial statement, and the reported amounts of revenues and expenses. Actual results could differ from management's estimates.

F. Cash and Cash Equivalents

The Organization's cash and cash equivalents are considered to be cash on hand, demand deposits, time deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

G. Investments

Investments are reported at fair value. Investment income classified as operating revenue consists of interest and dividend income on investments and gains approved for use in operations. All other realized and unrealized gains or losses are classified as non-operating activity and are available to support operations in future years and to offset potential market declines. Investments classified as current are available for operations in the next fiscal year.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

Cash and cash equivalents are valued at their carrying amount due to their short maturities. Investments are reported at fair value based on quoted market prices. Debt is valued at rates currently available to the Organizations for issuances with similar terms and remaining maturities.

H. Inventories and Prepaid Items

All inventories, when held, are valued at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

I. Property and Equipment

Purchases of land, buildings, and other property having a unit cost per established guidelines and a useful life of three or more years are capitalized at cost when they occur. Donated assets are capitalized at the estimated fair value at date of receipt. Property under capital leases is amortized over the lease term. Any gain or loss on sale of land, buildings and other property is reported as a non-operating gain or loss on the statement of activities, when they occur. The Organization maintains a threshold level of \$500 or more for capitalization of property and equipment. All capitalized assets, other than land, are depreciated using the straight line method over their estimated useful lives.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Interest expense incurred during a period of construction, less related interest income earned on tax exempt borrowings, is capitalized.

All capitalized assets, other than land, are depreciated using the straight-line method over their estimated useful lives as follows:

<u>Description</u>	<u>Estimate of Useful Lives</u>
Buildings & Renovations	5-40 Years
Equipment – Work Account Assets	5-10 Years
Furniture, Fixtures, and Equipment	5-10 Years
Vehicles	5-10 Years

J. Revenue Recognition

Contributions, which include unconditional promises to give are recognized as revenues in the period received or promised. Conditional contributions are recorded when the conditions have been met. Contributions are considered to be unrestricted unless specifically restricted by the donor.

The Organization reports contributions in the temporarily or permanently restricted net asset class if they are received with donor stipulations as to their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are released and reclassified to unrestricted net assets in the consolidated statement of activities. Donor-restricted contributions are initially reported in the temporarily restricted net asset class, even if it is anticipated such restrictions will be met in the current reporting period.

Product or service revenue is generally recognized upon delivery of the product or services to the customer.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

Gains and losses on investments and other assets and liabilities are reported as increases and decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or by law.

K. Contributed Services and Materials

Contributed services are reported at fair value in the financial statements for voluntary donations of services when those services (1) create or enhance non-financial assets or (2) require specialized skills provided by individuals possessing those skills and are services which would be typically purchased if not provided by donation.

Donated materials are recorded at their fair value at the date of the gift. The Organization does not imply time restrictions for gifts of long-lived assets. As a result, in the absence of donor-imposed restrictions, gifts of long-lived assets are reported as unrestricted revenue.

L. Income Taxes

The Livingston Activity Center, Inc. is a not-for-profit organization. The Organization is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code, except on net income derived from unrelated business activities. The organization has three years of returns still subject to examination by the Internal Revenue Service as required to be disclosed under FIN 48 paragraph 21.

2. Cash and Cash Equivalents

The bank balance was \$875,920 for the cash and cash equivalents, all held in interest bearing demand deposits within two financial institutions. These deposits were secured at June 30, 2014 by \$250,000 of FDIC insurance at each financial institution, resulting in \$324,273 in deposits exceeding FDIC insurance limits and uncollateralized at June 30, 2014. The uncollateralized deposits would be considered a "concentration of credit risk" since the Livingston Activity Center retains the risk for uninsured or uncollateralized bank balances. The organization does not have a policy of requiring collateral or other security to support financial instruments subject to credit risk.

Noncurrent restricted assets donated for the proposed new building of \$138,333 were included in these deposits. This asset is considered noncurrent, because construction on the building is not expected to occur within twelve months of the date of the statement of financial position.

3. Revenue and Receivables

Receivables at June 30, 2014 were as follows:

	<u>2014</u>
Billings for Work Programs	
Group Homes	\$ 8,060
Other	13,815
Other - IRS Health Insurance Tax Credit	17,518
Medical Billings	28,601
	<u><u>\$ 67,994</u></u>

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

The receivables are deemed to be fully collectible by management. Thus, no allowance for uncollectible amounts is necessary at year end. The IRS Health Insurance Tax Credit represents two years of activity.

The primary revenues for the Organization come from the following sources in the following approximate percentages.

Sources of funding for the years ending June 30, were as follows:

	<u>2014</u>		<u>2013</u>	
Self Generated				
Group Home Contracts	\$ 23,296	4%	\$ 23,400	4%
Investment Earnings	7,396	1%	5,666	1%
Recycling Programs	792	0%	705	0%
Vending Machines	4,081	1%	4,297	1%
Customer Program Revenues				
Flatware	-	0%	80	0%
Janitorial Contracts	50,552	9%	38,937	7%
Tags	1,404	0%	135	0%
Wood Stakes	35,445	6%	31,906	5%
Yards	18,830	3%	18,463	3%
Total Self Generated Funds	<u>141,796</u>	24%	<u>123,589</u>	21%
Public Support				
Contributions	3,374	1%	1,130	0%
Medicaid	442,871	74%	453,836	77%
OCDD Contract	5,964	1%	-	0%
Other	6,750	1%	7,057	1%
United Way	-	0%	2,406	0%
Van Fund	1,417	0%	705	0%
Total Public Support	<u>460,376</u>	76%	<u>465,134</u>	79%
Total Sources of Funding	<u>\$ 602,172</u>	100%	<u>\$ 588,723</u>	100%

* In the above table all percentages less than one are shown as zero and rounded.

Supportive service revenue is earned through three forms of Medicaid billings: the new opportunities waiver (N.O.W.), the supports waiver, and the elderly disabled adult waiver. The new opportunities waiver is billed based on fifteen minute units of service and can apply to both the activity center and the supported independent living programs. The supports waiver is billed in day units and can only be applied to the work programs at the activity center. The supports waiver provides fewer services than the other waiver forms and is utilized as a bridge to partially meet the needs of clients due to the lengthy waiting list for the other waiver forms on a state-wide basis.

The Activity Center maintains several sources of self-generated revenue through multiple work programs conducted by the clients where revenue earned is put back into the program to fund ongoing supplies and equipment required to continue the program. These work programs include lawn care, producing wood stakes used by surveyors, recycling, and janitorial services. The Activity Center utilizes these forms of self-generated revenue to carry out the mission of the Activity Center while becoming less dependent on external supportive sources.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

4. Property and Equipment

The cost and accumulated depreciation of land, buildings, and other property were as follows at June 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Land	\$ 205,525	\$ 205,525
Construction in Progress	37,929	37,929
Buildings and Improvements	438,165	438,165
Furniture and Equipment	35,161	42,259
Vehicles	<u>214,345</u>	<u>214,345</u>
Total cost of assets placed in service	931,125	938,223
Less accumulated depreciation	(388,277)	(371,826)
Property and equipment, net	<u>\$ 542,848</u>	<u>\$ 566,397</u>

Depreciation expense of \$24,457 and \$33,993 was recorded at June 30, 2014 and 2013 respectively. During the fiscal year ended June 30, 2014, the activity center purchased equipment items totaling \$906, and recorded \$8,005 in deletions for capital assets no longer in use. The construction in progress total of \$37,929 includes preliminary construction costs recorded in prior fiscal year for a proposed Activity Center building – more fully described in *Note 13 - Commitments and Contingencies*.

5. Investments

There was one certificate of deposit held as an investment at June 30, 2014 in the amount of \$51,017. This certificate of deposit was required as collateral for a line of credit of \$50,000 with a bank as part of new regulatory contract requirements through the Health Standards Bureau licensing for the State of Louisiana. Access to a line of credit is a requirement for similar organizations that work through Medicaid with NOW waivers.

6. Accrued Vacation

Vacation days are earned at the rate of one day per contract month not to exceed twelve days per contract year for employees with up to 14 years of service, 18 days per year for employees with service of 15 to 20 years, and 21 days of leave for employees with over 20 years of service. Each employee can carry over any unused leave days, not to exceed a maximum of twenty days. Accrued vacation payable was \$2,676 at June 30, 2014.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

7. Accounts and Accrued Payables

Accounts and Accrued Payables as of June 30, 2014 were as follows:

	<u>2014</u>
Accounts Payable	\$ 1,504
Accrued Payroll	11,746
Accrued Vacation	2,676
Other Payroll Liabilities	380
401(K) Plan Payable	1,062
	<u>\$ 17,368</u>

8. Donated Services

During the fiscal year ended June 30, 2014, various volunteer workers donated their time to the Organization. The value of this contributed time is not reflected in the accompanying financial statements because no objective basis is available to measure its value.

9. Allocation of Expenses

In some cases, common expenses are incurred which support the work performed under more than one grant or contract. Such expenses are allocated as agreed by the funding organizations or, in the absence of an agreement, on the basis which appears most reasonable to the Livingston Activity Center, Inc.

10. Leases

Livingston Activity Center, Inc., leases office space from an affiliated organization at a nominal cost of \$1. The board of directors has also discussed plans to improve and expand facilities for activities provided to consumers.

11. Retirement System

Livingston Activity Center, Inc. offers a 401(k) plan to employees after one year of service, which includes at least 1,000 hours of work. The Center offers a four percent employer contribution, which is not contingent on employee contribution. For the year ended June 30, 2014, employer contributions totaled \$8,533.

12. Restricted Net Assets

Temporarily restricted net assets in the amount of \$139,576 consist of \$1,243 temporarily restricted net assets not released from restrictions at fiscal year end, plus \$138,333 committed by the Livingston Activity Center, Inc., for construction of a new activity center, per requirements of a cooperative agreement with the State of Louisiana, Division of Administration, Facility Planning and Control. Commitments and construction funding requirements are described further in Footnote 13 – Commitments and Contingencies.

Livingston Activity Center, Inc.
Notes to the Financial Statements
As of and for the Year Ended June 30, 2014
(with 2013 summarized comparative information)

13. Commitments and Contingencies

The Livingston Activity Center, Inc. receives substantial amounts of its support for its programs of providing day services to challenged individuals, from governmental sources. These revenue streams require the Activity Center to furnish habilitation services to clients to be reimbursed at an amount stipulated in each contract. A significant reduction in the level of support, if it were to occur, may have an effect on programs and activities.

At June 30, 2014, the State of Louisiana had committed by cooperative endeavor agreement a total of \$415,000 for the construction of a new activity center. Pursuant to the cooperative endeavor agreement, the Livingston Activity Center, Inc., restricted cash funds of \$138,333 for future construction costs. Total construction costs were estimated at \$787,500, per the 2009-2010 State of Louisiana Capital Outlay Request. The balance of funds for construction is to be provided by the Livingston Activity Center, Inc., either as donations or cash provided by the Livingston Activity Center, Inc., and possibly by a pending request for State funding. After fiscal year end, the Livingston Activity Center, Inc. applied for a line of credit for the Capital Outlay money and is awaiting notification of whether the line of credit is approved.

Livingston Activity Center, Inc. was not involved in any outstanding litigation or claims at June 30, 2014.

14. Subsequent Events

Subsequent events have been evaluated by management through January 12, 2015, the date the financial statements were available to be issued. No events were noted that require recording or disclosure in the financial statements for the fiscal year ending June 30, 2014.

Livingston Activity Center, Inc.
Schedule of Findings
For the Year Ended June 30, 2014

Schedule 1

Part I: Summary of Auditor's Results

A. Financial Statements

Type of Auditor's Report Issued: unmodified opinion

Internal Control Over Financial Reporting:

Material Weakness(es) Identified: Yes

Significant Deficiency(ies) that are not considered to be
Material Weaknesses: No

Noncompliance Material to the Financial Statements: Yes

B. Federal Awards - N/A

Internal Control Over Financial Reporting:

Material Weakness(es) Identified: N/A

Significant Deficiency(ies) that are not considered to be
Material Weaknesses: N/A

Type of Auditor's Report Issued on Compliance

For Major Programs: N/A

Any Finding to be Reported under

Section 510(a) of OMB Circular A-133: N/A

Was a management letter issued? No

Identification of Major Program(s): N/A

Dollar Threshold to Distinguish Between Type "A" and Type "B" programs: N/A

Statement as to Whether the Auditee qualified as Low-Risk Auditee: N/A

Part II: Findings which are required to be reported in accordance *Government Auditing Standards*:

A. Compliance Findings – See finding 2014-C1 within the *Corrective Action Plan for Current Year Audit Findings*.

B. Internal Control Findings - See findings 2014-I1 and 2014-I2 within the *Corrective Action Plan for Current Year Audit Findings*, which are categorized material weaknesses.

Part III: Findings and Questioned Costs for Federal Awards which include audit findings as defined in Section 510(a) of Circular A-133:

N/A

Part IV: Management Letter Items:

There were no management findings.

**Livingston Activity Center, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014**

Schedule 2

Compliance

There were no compliance findings for the fiscal year ending June 30, 2013.

Internal Control

Finding Number: 2013-I1 (Segregation of Duties). Continued from prior year finding number 2012-I1.

Type Finding: Significant Deficiency not Material to the Financial Statements.

Criteria: The Livingston Activity Center, Inc. (the Organization) must demonstrate that activities related to financial management are reasonably reported and accurately reported. This finding is continued from prior audits.

Condition: With all smaller agencies, there will be limited personnel for recording receipts and disbursements for financial transactions. The Organization has responded by involving the Executive Director in review and approval of expenditure transactions, review of bank reconciliations, and approval of key financial transactions, in addition to increased reporting and review by the board of directors. An outside accountant is also involved in year-end review and adjustment of financial records.

Effect: Having a limited number of personnel increases the need to closely review financial transactions.

Cause: This is characteristic of a small agency.

Recommendations: Recommendations to-date are recapped below:

- Continue to require dual signatures on checks as in past periods.
- The executive director should continue to review bank statements in coordination with bank reconciliations.
- The board should review financial information presented at board meetings, and periodically review bank reconciliations and financial information on-site on a periodic basis.
- All wage increases or new hires must be approved by the board president and retained in a file for audit review. Have the copy of the wage rates reviewed by the board initialed by the board president and retain in a digital file.
- We also recommend review of the accounting system's general ledger by a designated board member on an unannounced basis.

We also recommend that the Livingston Activity Center, Inc. continue its policy for pre-approval of expenditure transactions by the Executive Director.

Response by Management: We will continue to implement the above recommendations as part of our ongoing controls process to reduce the inherent audit risks of a small non-profit organization.

Corrective Action Taken: Partial

**Livingston Activity Center, Inc.
Summary Schedule of Prior Year Audit Findings
For the Year Ended June 30, 2014**

Schedule 2

Current Year Status: Segregation of duties is a continuing issue with smaller organizations; however lack of Board involvement in the current year has further created a lack of segregation of duties. This finding is reported as a material weakness in the current year as Finding 2014-I1 within the *Corrective Action Plan for Current Year Audit Findings*.

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Management Letter

There were no management findings for the fiscal year ending June 30, 2013.

This schedule was prepared by management.

**Livingston Activity Center, Inc.
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2014**

Schedule 3

Compliance

Finding Number: 2014-C1 (Audit Filing Requirement).

Criteria: Livingston Activity Center, Inc., is subject to audit requirements as defined in Revised Statutes 24:513(A) for filing financial audit reports. The general deadline for filing is six months after the end of the entity's fiscal year, but may be extended per Legislative Auditor approval.

Condition: The Organization must comply with statutory deadlines for filing audit reports, but must also ensure that sufficient time is available to complete procedures required in accordance with *Government Auditing Standards*.

Cause: While the audit and report were substantially complete before the audit filing deadline, due to the holidays, there was a delay in final conclusions and necessary clerical corrections to the report. The report will be filed within the 15 day grace period.

Effect: The Organization is not in compliance with the statutory deadline noted above.

Management's Response: We will monitor audit filing deadlines and comply with filing requirements.

Corrective Action Taken: Partial

Anticipated Completion Date: Audit Report to be submitted to the Legislative Auditor by January 15, 2015.

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Internal Control

Finding Number: 2014-I1 (Segregation of Duties). Reported as a significant deficiency in the prior year as finding number 2013-I1.

Type Finding: Material Weakness.

Criteria: Proper segregation of incompatible duties requires that there be different individuals responsible for authorizing transactions, recording transactions and maintaining custody of related assets.

Condition: Duties throughout the financial reporting process, which are considered incompatible, are being performed by the Association's accountant.

Cause: Due to the size and nature of the Association, there are few administrative employees and as such, some incompatible duties are not adequately segregated.

Effect: Inadequate segregation of duties exposes the Association to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting.

**Livingston Activity Center, Inc.
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2014**

Schedule 3

Recommendation: The Association should attempt to segregate incompatible duties possibly through the use of other Association personnel or staff and the Association's outside CPA firm, as appropriate. The following specific recommendations are made:

- The Association should remove its accountant as a signer on its cash and investment accounts and instead add a member of its Board as the second check signer.
- Mail should be opened by personnel separate from the Association's accountant and Executive Director and forwarded to the Executive Director for review of invoices, bills, statements, checks, etc.
- The Executive Director should review bank statements prior to reconciliation by the accountant.
- The Board should be presented with financial data reports, including but not limited to, profit and loss statements and a balance sheet. The Board should review the financial information presented at board meetings, and periodically review bank reconciliations and financial information on-site.
- The Board should review and approve the Association's annual budget and monitor that budget through period comparison of actual results to the budget.
- We also recommend review of the accounting system's general ledger by a designated Board member on an unannounced basis.

Management's Response: The Executive Director will further discuss the recommendations with the association's accountant and Board. The recommendations will be implemented in a timely manner.

Corrective Action Taken: Partial

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Finding Number: 2014-I2 (Lack of Adequate Board Oversight)

Type Finding: Material Weakness.

Criteria: Board oversight of the financial reporting process is a significant part of an entity's internal control system over financial reporting.

Condition: The Board was not presented with financial data reports and therefore did not review and approve any financial data or financial statements throughout the year. The Board did not review or approve the Association's annual budget and did not monitor that budget throughout the year. The Board approves limited transactions above a high dollar amount and no Board member signs any checks.

Cause: Lack of adequately designed entity level internal controls.

Effect: Lack of Board oversight exposes the Association to several risks, including, but not limited to misappropriation of assets and inaccurate or fraudulent financial reporting. As a result, material misstatement in the Association's financial statements may not be prevented or detected.

Recommendation: The Association's Board should ensure proper and adequate oversight of the Association and its financial reporting. The following specific recommendations are made:

**Livingston Activity Center, Inc.
Corrective Action Plan for Current Year Audit Findings
For the Year Ended June 30, 2014**

Schedule 3

- The Board should be presented with financial data reports, including but not limited to, profit and loss statements and a balance sheet. The Board should review the financial information presented at board meetings, and periodically review bank reconciliations and financial information on-site.
- The Board should review and approve the Association's annual budget and monitor that budget through period comparison of actual results to the budget.
- We also recommend review of the accounting system's general ledger by a designated Board member on an unannounced basis.

Management's Response: The Executive Director will further discuss the recommendations with the accountant and the Board and implement the recommendations in a timely fashion.

Corrective Action Taken: Partial

Contact Person:

Ms. Linda Watts, Executive Director, 10494 Florida Blvd., Walker, LA 70785
(225) 664-7384

Management Letter

There were no management findings for the fiscal year ending June 30, 2014.

This schedule was prepared by management.

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of the
Livingston Activity Center, Inc.
Walker, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Livingston Activity Center, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, functional expense and cash flows for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated January 12, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Livingston Activity Center, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Livingston Activity Center, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

Our consideration of the internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and in the accompanying Corrective Action Plan for Current Year Audit Findings, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement

of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings and in the accompanying Corrective Action Plan for Current Year Audit Findings as findings 2014-I1 and 2014-I2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston Activity Center, Inc.'s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and in the accompanying Corrective Action Plan for Current Year Audit Findings as finding 2014-C1

Livingston Activity Center, Inc.'s Response to Findings

Livingston Activity Center, Inc.'s response to the findings identified in our audit, including response to findings 2014-C1, 2014-I2, and 2014-I2, is described in the accompanying *Corrective Action Plan for Current Year Audit Findings*. The Organization's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Bruce Harrell & Company, CPAs
A Professional Accounting Corporation
Kentwood, Louisiana

January 12, 2015